News Release

Pat Quinn, Governor

Jay Rowell, Director

For Immediate Release
September 10, 2013

Greg Rivara
Media: (312)793-9635
www.ides.illinois.gov
www.illinoismisclassification.com

Law to Fight Fraud, Protect Workers Identifies $33 Million

Misclassification, Personal Liability Laws Also Help Taxpayers

CHICAGO – A new law to fight fraud and protect workers and taxpayers from businesses that cheat on their taxes and rob the state of money used to pay unemployment insurance benefits has led to a significant increase in the amount of money voluntarily paid to the Illinois Department of Employment Security (IDES).

Dubbed the personal liability legislation, lawmakers in strong bi-partisan fashion enabled IDES to hold personally liable the owners of businesses who knowingly cheat their payroll taxes. The shift from penalizing a business to personal liability led to the increased compliance and is part of Gov. Pat Quinn's agenda to protect workers and make Illinois one of the top states for business.

"This issue touches every taxpayer. Employers who cheat on their taxes push those costs onto honest workers, honest businesses owners and honest taxpayers," IDES Director Jay Rowell said. "Shirking these responsibilities and misclassifying workers to pay them less cheats our unemployment insurance program, hurts our economy and undermines legitimate businesses owners."

Twenty-nine employers who previously did not pay unemployment insurance have paid $14.9 million and 21 employers committed to paying $18.7 million. The dollars reflect a 30 percent increase in collections since the law began in 2012. Additionally, IDES so far this year identified 1,300 businesses that misclassified nearly 9,000 workers to avoid paying taxes on $2.3 million in wages.

Misclassified workers often are denied protection such as minimum wage, overtime pay, and family and medical leave. Misclassifying workers artificially lowers a business' cost because employers do not pay workers' compensation or unemployment insurance for those individuals. Hiding these costs allows businesses to underbid competitors by 30 percent and robs state coffers of other taxes, increasing the financial burden on residents and contributing to the state's financial pressures.

Generally, to be considered an independent contractor, a worker must be free from direction or control. A worker is not an independent contractor just because an employer designates him or her as such – even if the worker agrees to the designation. Employers breaking the law could face fines of at least $10,000 and up to 24 percent interest on failed payments.

END